

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Release Number: **201507028**  
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Date: 11/20/2014

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

**UIL: 4945.04-04**

B= Name of Scholarship Program  
C= Name of Scholarship Program  
M= Name of Region  
N= Name of City

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship programs to fund the education of certain qualifying students.

**Our determination**

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your programs as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures will not be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

**Description of your request**

You seek to assist low-income students with academic promise to attend institutions of higher education and complete a baccalaureate degree. You state that you will apply the same scholarship procedures when awarding any scholarship grant to individuals who are candidates at an educational institution described in section 170(b)(1)(A)(ii). You have identified two scholarship programs called B and C that you plan to offer. You may operate other scholarship programs using the same scholarship procedures in the future.

Your scholarship programs will be open to high school seniors and/or community college students (1) attending a school in the geographic areas covered by the scholarship programs, to initially comprise the M area and the greater N area, but which you may expand and (2) who plan to enroll as degree candidate in accredited educational institutions meeting the requirements of section 170(b)(1)(A)(ii) of the Code.

Your selection criteria for scholarships will include, but are not limited to, demonstrated financial need, academic achievement, satisfaction of a minimum grade-point-average requirement, evidence of leadership qualities, persistence and determination, resilience in overcoming external obstacles, and desire to help others. Although grants will not be limited to supporting first-generation college students, your scholarship programs will place an emphasis on selecting students who are the first in their families to attend college.

The exact number and amount of scholarships you award during a given year will depend on a number of factors, including the number, qualifications, and needs of the applicants, and your budget for that fiscal year.

Your scholarship programs may be publicized through outlets such as your website, other websites, online scholarship databases, correspondence with administrators and counselors at high schools, community colleges, universities, transfer centers, social media and promotional materials, such as posters and literature, to be sent to high schools and colleges.

You may retain scholarship consultants to assist you in administering your scholarship programs. Assistance will include, but not be limited to, publicizing and promoting the programs, designing and processing applications, evaluating applicants' eligibility, screening applicants, and selecting finalists.

Scholarship consultants will be completely unrelated to you. No employees, officers, or directors of the scholarship consulting firms will be employees, officers, or directors of your organization, or disqualified persons with respect to you. Fixed fees paid to scholarship consultants for services provided to you will be set in accordance with standard rates for similar consulting and management services provided to other organizations. Scholarship consultants will work directly with you on all major policy and program decisions. You will be responsible for approving all aspects of program design, promotion, and selection.

As part of the selection process for the programs, you may enlist either an independent selection committee composed of individuals with relevant educational expertise or authorize your staff to review and evaluate all eligible applications for recommendation of award recipients to your board of directors. Scholarship consultants may identify qualified individuals to serve as panelists on the selection committee of a particular scholarship program and may provide training sessions for the panelists. In all cases, your board of directors will make the final selection of scholarship recipients.

You do not discriminate on the basis of race, religion, creed, color, sex, age, physical or mental disabilities, sexual orientation, or national origin. All scholarships are required to be awarded on an objective and nondiscriminatory basis.

No scholarships will be awarded to your founder, creator, officers, board members, or staff, or their families, or to any disqualified person with respect you, or for a purpose that is inconsistent with the purposes set forth in section 170(c)(2)(B) of the Code.

When you make a scholarship grant directly to a student recipient, your disbursement of scholarship funds will be conditioned on confirmation by the educational institution at which the student is enrolled that the recipient is in full-time study and in good academic and disciplinary standing. You will require the recipient to furnish annual reports of courses taken and grades received during each academic period. When a recipient's course of study involves the preparation of research and projects instead of coursework, you will require the recipient to furnish annual progress reports that are approved by a supervising faculty member or other appropriate university officials. Upon completion of a recipient's course of study at an educational institution, you will require the recipient to furnish a final report.

When you remit a scholarship grant directly to the educational institution at which a recipient is enrolled, you will require the educational institution to agree that it will (1) use grant funds to defray the recipient's expenses, or (2) pay the funds (or a portion thereof) to the recipient, only if the recipient is enrolled full time at the educational institution and in good academic and disciplinary standing consistent with the purposes for which you awarded the scholarship.

You may renew some scholarship grants. Recipients must meet certain criteria to be eligible for grant renewal, including compliance with all reporting requirements described above and maintaining good academic and disciplinary standing.

If you learn that all or any part of the funds from a scholarship you awarded are being diverted from their intended purposes, you will take all reasonable and appropriate steps to recover the funds and ensure restoration of the diverted funds to the purposes of the program. This would include legal action if deemed appropriate under the circumstances.

You will retain complete records with respect to all scholarships awarded, as required by applicable Treasury Regulations. Your records will include all information obtained by you to evaluate applicants, the identification of recipients, the completed application of each applicant, the amount of each grant, progress reports from recipients or their supervisors, and any additional information that you, or your scholarship consultants, have obtained in the course of the grant administration process. You will report all scholarships awarded on an annual basis on your Form 990-PF.

### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b) (1) (A) (ii).

### **Other conditions that apply to this determination**

- This determination only covers the grant programs described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c) (2) (B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations